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CIA Flunked Test in Check on Rewald

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A Central Intelligence Agency security check on Ronald Rewald failed to turn up his Wisconsin theft conviction or that he lied about his educational background, a former head of the CIA bureau here testified this morning.

Eugene Welch said in court that he submitted a standard "name check" form for Rewald in 1978. On the basis of that check, Rewald was cleared to receive information from CIA personnel up to the "secret" security classification, Welch said.

Welch said he knows of three levels of security classifications: confidential, secret and top secret.

The name check is used to see if a potential CIA contact has any "derogatory information" in his background, including convictions. The Rewald check, however, did not turn up his conviction on a theft charge involving the illegal sale of a sports franchise.

Also on the name check form was information from Rewald that he had attended Marquette University and received a Ph.D. from "MIT." The CIA did not check to see if those claims were true, Welch said.

WELCH BEGAN his second day on the witness stand today in the trial of Rewald on fraud charges. Rewald is accused of taking money invested in his company — Bishop, Baldwin, Rewald, Dillingham & Wong — and using it for personal expenses.

In testimony yesterday, he directly contradicted Rewald's claims that the CIA ordered Rewald to set up the investment firm.

Welch, who resigned from the CIA in 1978, also said the CIA did not give Marquette University diplomas to Rewald.

Welch rebutted virtually every claim Rewald made in an affidavit about the CIA having a part in the formation and running of Bishop, Baldwin.

Welch is the first of several CIA witnesses expected to testify. Welch conceded the CIA had plans to use Rewald as a source of information on economic issues in the Far East, after Rewald told him that he planned to make frequent trips to China and other countries. But that was based on Rewald's offer to help and his claim to be a well-educated businessman.

"HE SHOWS promise of developing into a productive source of FI (foreign intelligence), once he has been oriented properly as to the Agency's real needs and interests," Welch wrote in a 1978 CIA source-contact sheet.

That sheet and other CIA documents admitted into evidence yesterday were the source of controversy when Rewald's attorneys challenged their authenticity.

Deputy Federal Public Defender Brian Tamanaha questioned Welch repeatedly about parts of the CIA documents that were supposed to have been typed at different times, and in one case, on a different typewriter, yet seemed to have the exact same margins and type face.

One document was a CIA card kept by the local CIA bureau listing background information about Rewald and keeping track of the meetings he had with the local CIA representative. But although the card was supposed to have been composed in June 1978, it listed Rewald's business address as the Grosvenor Center. Rewald did not move into the Grosvenor Center until 1979.

WELCH SAID that an earlier address might have been "whited out" and typed over.

On the "source-contact" document, Tamanaha questioned Welch about a portion that Welch said was apparently filled out in Washington, D.C. after the document was sent from Hawaii. The addition to the form, however, is perfectly lined up on the margin with the rest of the document and the type face is similar to that made by the Hawaii typewriter.

"They (the CIA) have about a million IBM typewriters of the same vintage," Welch said in reaction to Tamanaha's questions.

Rewald's attorneys are expected to try to show that the CIA is minimizing its involvement with Rewald in the wake of BBRD&W's collapse. Some 400 investors lost millions of dollars in the collapse. Tamanaha said in his opening statement that when the CIA gets in an embarrassing position, it "cuts and runs."

Welch, however, testified that the CIA had no role in the establishment and growth of BBRD&W into a firm bringing in millions from investors.

He said he first met Rewald on June 30, 1978 for lunch after Rewald had called him.

Welch's CIA field office here was used as a "domestic collection division." He said that means the office was open to any U.S. citizen who wanted to offer foreign intelligence to the agency.

REWALD TOLD Welch that he would be traveling to the Far East as part of his sporting goods business and wanted to volunteer information to the agency. Rewald also told Welch that he had graduated from Marquette University with business and law degrees and also had a doctorate from MIT. Welch said he asked Rewald if MIT meant Massachusetts Institute of Technology, and that Rewald replied, "That's right."

After that lunch, Welch submitted the name check form to the CIA office in Washington to confirm that other government agencies had no "derogatory information" about Rewald. Rewald's clearance came a few weeks later but by that time Welch had retired and the office had been taken over by Jack Kindschi.